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(DELIVERY MAY DIFFER FROM WRITTEN TEXT)

Introduction

It is a pleasure to be here today in the presence of so many distinguished leaders and many of my new colleagues from the Small Business Administration, including Deputy Administrator Jovita Carranza.

The theme of economic growth is near and dear to all of our hearts. Economic growth is what has delivered to the United States her rising standard of living, offering promise that all her citizens might achieve the American dream. It enables our families to move up the economic ladder, to buy homes, to fund their children's education, and take the kind of family vacations we all cherish. These are the same goals we share across the hemisphere.

As the head of the U.S. Small Business Administration, I'm pleased to share my thoughts on the future of economic development in our 21st century global marketplace. What must we do to keep our economies growing? What small thing must we do today in order to take advantage of the next big thing tomorrow? To help answer these questions, I would like to speak briefly about our general

philosophy towards economic development and explore in greater detail what I call the five “new realities” of the 21st Century economy.

The challenge all our nations face is that maintaining our economic strength in the world-wide marketplace will not just happen on its own. It will take effort. The overarching philosophy of the government of the United States for addressing this challenge is represented by President Bush when he said that “the role of government is to create conditions in which jobs can be created.” What he means is that:

1. Economic growth is about creating good jobs. For it is employment at good wages that increases our standard of living, provides a stronger tax base, and gives our citizens an ownership stake in our society.
2. It is the private sector – not the public sector – which creates jobs.
Government can help with job creation, but at the end of the day it is the private sector that provides the employment that drives an economy.
3. There is an appropriate role for government in helping to create the environment in which the private sector can succeed. However, one must temper this desire to be too helpful, as not only can government help job growth it can hurt job growth with overly burdensome rules and regulations.

As I execute my responsibilities for the federal agency charged with serving and supporting small business, I do so keeping in mind what I call the five “new realities” for fostering economic growth in our competitive global economy.

The Five New Realities

New Reality No. 1

While perhaps the most obvious, it is the most important, which is that we are truly living in a global economy, or as *New York Times* columnist Tom Friedman says, the world is “flat”. In our global economy, our competition is not just the firm down the road. Our competition comes from anyone in any corner of the globe with a good idea, a good education, and a good Internet connection.

On the other hand, our partners can now be anyone, anywhere on the globe. Global markets present not just new competition, but also new opportunities for partnerships, which is why the Bush Administration has been pushing for free trade agreements with countries in the Americas like Columbia and Panama, which is critical given that 95% of our customers as American businesses and workers don't call America home.

The global nature of our economy is clearly seen in any number of industries, including automobiles. As I speak to audiences across America, I often ask them

the following question: “What’s more American, a Ford built in Mexico, or a Toyota built in Kentucky?” The funny thing is that we are not only the only nation struggling to answer this question. Imagine a German government official asking a group of his countrymen: “What’s more German, a BMW built in South Carolina, or a Ford built in Germany?”

New Reality No. 2

Competition is intense, and the pace of change will continue to accelerate. It took 55 years for the automobile to spread to one-quarter of the U.S. population. It took the Internet only 7 years to reach that same milestone. Imagine how quickly we will adopt the next big thing.

This new reality where cycle times for products and ideas continue to shrink will require all institutions – public, private, educational, and non-profit – to continually adapt and change. Those that don’t are at risk. Those that do will be rewarded. Time will have no mercy for the slow or overly bureaucratic.

As leaders, we are all responsible for adapting and evolving our organizations to meet the challenges that time will bring. This is at times difficult, because with today’s rapid pace of change, change is often necessary before people are ready to embrace it.

New Reality No. 3

The world becomes a bit more complicated every day. Responding to this reality means that we have reached a point where we can no longer pursue the components of competitiveness separately. This reality holds two important lessons:

First, the idea of workforce development, community development, economic development, entrepreneurial support, and educational programs occurring in separate silos can no longer be tolerated. One of the first steps to success in the 21st century is to begin to collaborate in multiple ways.

Second, the competitiveness of nations will increasingly depend on the competitiveness of economic regions. In order for a company to be fully competitive, the economic region in which it does business must be competitive as well. We need to look beyond traditional political jurisdictions – the city boundary, the county line, even the division between nations – and work together. Because the competitiveness of our companies is in large part tied to the competitiveness of the economic regions in which they do business.

Pooling resources and developing unified regional development strategies that capitalize on resources are perhaps the most important steps that regions can take

to better compete in the worldwide marketplace. This is especially true as we work to develop clusters of innovation – interrelated industries in which a region specializes.

In the United States, economic clusters and the regions in which they develop are not defined by the federal government, but are driven by the private sector and by local leadership. I know that these concepts of regional – or territorial – development and cluster development are an important part of the strategies for economic growth of not just North America, but the entire Western hemisphere. That is why this meeting is called the Americas Competitiveness Forum, as it recognizes that economic development transcends political and national borders.

New Reality No. 4

Collaboration between the public and private sector becomes more critical every day. While governments at all levels, and education and nonprofit institutions can be important players, the private sector is the most important element of any successful economic development strategy. Unless the private sector is ready, willing and able to invest in a community, economic growth simply will not occur, regardless of how much government spends. Which is why supporting existing businesses and cultivating new businesses is so critical to all our economies.

Educational institutions – including high school and local colleges – should be working hand-in-hand with business to ensure that there are sufficient local workers with the right skills for the job environment of today and tomorrow.

While biotechnology, or nanotechnology, are the hot new industries that everyone is talking about, if a region's strength is actually in transportation logistics, advanced manufacturing or new energy technologies, workforce development entrepreneurship strategies are best focused on those industries.

New Reality No. 5

At the end of the day, it is the ability to innovate that is the only possible sustainable competitive advantage in the 21st century. It's not location. It's not the cost of doing business. Factors such as these will continually shift in a dynamic world-wide economy. But if we can maintain an edge in innovation, we will grow and prosper.

And in order to innovate, we must support entrepreneurship. Entrepreneurs are the engine for economic growth, and entrepreneurs fuel innovation.

Entrepreneurs lead the American economy in innovation – small firms are more innovative than large firms, producing about 13 times more patents per employee than larger firms.

Furthermore, small businesses provide approximately 75% of the net new jobs added to the American economy, and represent more than 99% of all our employers. The growth in the American economy is in very large part due to entrepreneurs – that’s where the job growth is coming from ... it’s not from the big companies.

This is why the U.S. Small Business Administration builds partnerships with entrepreneurs, secures loans for small businesses, provides training and counseling for upstart businesses, and provides access to government contracts. We are committed to unleashing the power of the entrepreneurial spirit to meet the challenges of the 21st Century global marketplace.

If we could put the key to innovation and competitiveness into a math equation, I think it would look something like this:

Entrepreneurship drives innovation . . .

Innovation drives productivity . . .

Productivity drives higher wages and job growth.

And all that equals higher standards of living. ... And a higher standard of living for our citizens is a goal that we all share, and it all starts with entrepreneurship.

Conclusion

With that, I leave with you my five new realities of 21st century economic development:

1. We are living in a global economy;
2. The pace of change will continue to accelerate;
3. The components of competitiveness can no longer be pursued separately;
4. Partnership with the private sector is critical;
5. And entrepreneurship is the fuel for innovation – and innovation is the only possible sustainable competitive advantage in a global marketplace.

It has been my pleasure to be here this afternoon. On behalf of the U.S. Small Business Administration I thank Secretary Gutierrez for the invitation to be here today, and thank you for your commitment to answering the “what’s next” question for your company and your country. When we leave Atlanta as this conference concludes, let’s leave with a renewed commitment to jointly growing our economies through trade, collaboration, and innovation that will raise the standard of living for all our citizens.